Postal Regulatory Commission
Submitted 5/4/2020 3:59:01 PM
Filing ID: 113071
Accepted 5/4/2020

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268–0001

PERIODIC REPORTING (PROPOSAL TWO)	Docket No. RM2020-7

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO QUESTIONS 1-3 OF CHAIRMAN'S INFORMATION REQUEST NO. 3
(May 4, 2020)

The United States Postal Service hereby provides its responses to the above listed questions of Chairman's Information Request No. 3, issued April 28, 2020. The questions are stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:

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May 4, 2020

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1. In the preface to Library Reference USPS-RM2020-7-1, the Postal Service states that in calculating the updated city carrier unit flats delivery costs it updates "the [Flats Sequencing System (FSS)] delivery cost model, entitled FSSDeliveryModel19.xlsx," previously filed as Library Reference USPS-FY19-19 in Docket No. ACR2019.[1] The Postal Service provides the updated FSS delivery cost model, entitled "FSSDeliveryModel19.New v2.xlsx," as part of Library Reference USPS-RM2020-7-1.[2]

a. Please identify the library references in the FY 2019 Annual Compliance Report (ACR) that rely on the input data from the FSS Delivery Cost Model.

b. With respect to the Updated FSS Delivery Cost Model, please identify tabs and cells that contain input data for other FY 2019 ACR library references.

c. Please confirm whether the Postal Service uses input data from the FSS Delivery Cost Model in its filings on rate adjustments for market dominant products. If confirmed, please describe how.

RESPONSE:

a. The following folders rely on data from the FSS Delivery Cost Model:

USPS-FY19-3

USPS-FY19-30

b. With respect to the data that flow into USPS-FY19-3, they come from tab "Table2_FSS", cells C16 and C21. With respect to the data within the Updated FSS Delivery Cost Model that flow into USPS-FY19-30, they come from tab "Summary", cells: M7, M14:M15, M22:M23.

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[1] *See* Library Reference USPS-RM2020-7-1, updated on April 14, 2020, PDF file "Prop.2.Carrier.Update.Fldr.1.Preface.Rev.4.14.20.pdf," at 2-3 (Preface). *See also* Docket No. ACR2019, Library Reference USPS-FY19-19, December 27, 2019, folder "USPS-FY19-19," subfolder "Delivery Model Files," Excel file "FSSDeliveryModel19.xlsx" (FSS Delivery Cost Model).

[2] Preface at 3. *See* Library Reference USPS-RM2020-7-1, updated on April 14, 2020, folder "Prop2.Carrier.Update.Rev.4,14.Fld.1.Files," subfolder "Calculating Updated Unit Flats Costs," Excel file "FSSDeliveryModel19.New v2.xlsx" (Updated FSS Delivery Cost Model).

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c. The Postal Service uses the FSS zone and non-FSS zone combined delivery costs for USPS Marketing Mail Flats and Carrier Route Flats and Letters in calculating the costs avoided for Marketing Mail Flats and Periodicals. These are used in conjunction with proposed discounts to evaluate compliance with workshare passthrough requirements.

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2. For Tables 1 through 8 in the Bradley Report, please identify data sources and provide references to the relevant dockets, library references, files, tabs, and cells.

RESPONSE:

Table 1:

As stated on page 1 of the report, the numbers in Table 1 come from the FSS Delivery Cost Model submitted in USPS-FY19-19, Docket No. ACR2019, December 27, 2019:

> For FY 2019, unit delivery costs were calculated in the Unit Delivery Cost model (UDCModel19.xlsx) and presented in Table 1, in the preface to USPS-FY19-19.[3] Additionally, the unit delivery costs for relevant products are disaggregated into separate costs for flats delivered in FSS zones and flats delivered in non-FSS zones. These costs are calculated in the FSS Delivery Cost model (FSSDeliveryModel.xlsx).[4] These even more detailed costs are presented in Table 2 in the same preface . . . These calculated unit street time costs from the FSS model are reproduced in Table 1, below. [Footnotes from original displayed below as footnotes in this document.]

The cited numbers are in the Tab entitled "Summary." The cell references for the numbers in the first column of Table 1 run from L12 through L15 and for the second column in Table 1 run from L20 through L23.

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[3] *See*, USPS-FY19-19, Docket No. ACR2019, December 27, 2019.

[4] *Id.*

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Table 2:

As stated on page 3 of the report, the numbers underlying Table 2 come from the City Carrier Street Time Report (December 11, 2014), Docket No. RM2015-7 and USPS-FY19-NP14, B Workpapers, CS06&7-NP-FY19.xlsx, Tab 7.0.8 in the current docket:

> Table 2 presents the proportions of the letter and flat mail delivered on city carrier routes from the 2013 City Carrier Street Time Study.[5] These volume proportions are used to calculate the current variabilities. Table 2 also presents the proportions of letter and flat mail delivered on city routes based upon the FY 2019 City Carrier Cost System (CCCS) data.[6] [Footnotes from original displayed below as footnotes in this document.]

As stated, the CCSTS numbers come from the CCSTS report and thus have no tab or cell references. Thus, one views the cited page in the report to find them the relevant volumes. The reference in the report to the FY2019 CCCS volume data already provided the relevant docket, library reference, file, and tab. The cell references are F63, G63, H63, and J63. For convenience, the numbers and sources can also be found in the workbook entitled Calculating Means Based upon FY 2019 Data.xlsx in USPS-RM2020-7-1. See cells N12 through O15 on the Sheet 1 tab.

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[5] *See*, City Carrier Street Time Report (December 11, 2014), Docket No. RM2015-7, at 53.

[6] USPS-FY19-NP14, B Workpapers, CS06&7-NP-FY19.xlsx, Tab 7.0.8.

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Table 3:

As stated on page 9 of the report the numbers come from the City Carrier Street Time Report (December 11, 2014), Docket No. RM2015-7 and Calculating Means Based upon FY 2019 Data.xlsx in USPS-RM2020-7-1 in the current docket:

> Table 3 presents the volume means using the CCSTS study data and the more recent FY 2019 CCCS data.[7] [Footnote from original displayed below as a footnote in this document.]

There is only one tab (Sheet 1) in the Calculating Means Based upon FY 2019 Data.xlsx, workbook, so no tab reference is necessary. The relevant cell references are: CCSTS data: N3 through N6, FY 2019 data: O3 through O6.

Table 4:

As stated on page 10 of the report, the numbers come from the City Carrier Street Time Report (December 11, 2014) and from Calculate Variabilities With New Volume Proportions.sas in USPS-RM2020-7-1:

> Table 4 presents the new marginal times based upon the FY 2019 data, along with existing marginal times based upon the City Carrier Street Time Study volumes.[8] [Footnote from original displayed below as a footnote in this document].

The CCSTS marginal times come from the report and thus have no tab or cell references. One needs to look at page 79 in the report to find them. The new marginal

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[7] The calculation of the FY2019-based means is presented in Calculating Means Based upon FY 2019 Data.xlsx in USPS-RM2020-7-1.

[8] The marginal times and associated variabilities are calculated in Calculate Variabilities With New Volume Proportions.sas in USPS-RM2020-7-1.

times are calculated in the cited SAS program, so there are no tab or cell references. To find them, one needs to look at the last page of the output listing for that program. It is entitled Calculate Variabilities With New Volume Proportions.lst and is in USPS-RM2020-7-1.

Table 5:

Table 5 presents the variabilities associated with the marginal times that were presented in Table 4. As explained in the report, the sources and locations for Table 5 are identical to those for Table 4.

Table 6:

As explained on page 14 of the report, the delivery time costs in Table 6 come from the established FSS Delivery Model (FSSDeliveryModel19.xlsx) and from the version of that model with the new variabilities presented in this docket (FSSDeliveryModel19.New.xlsx), although note that the "New" file was revised on April 14, 2020:

> To see if recalculating the variabilities to reflect current volumes does indeed mitigate the gap, one can compare the FSS and cased mail flats volume variable delivery time costs for FY 2019 using the old variabilities and the same FY 2019 costs using the new variabilities. This is comparison is done in Table 6.[9] [Footnote from original displayed below as a footnote in this document.]

[9] The volume variable delivery time costs using the new variabilities based upon the FY 2019 volumes are calculated in FSSDeliveryModel19.New.xlsx, which is in USPS-RM2020-7-1.

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The relevant tab is City_Calcs in both workbooks. The cell references for the first and second columns in Table 6 are G4 through G7, and the cell references for the third and fourth columns in the Table 6 are H4 through H7.

Table 7:

The established unit delivery costs also come from the FSS Delivery Model (FSSDeliveryModel19.xlsx) and, as explained on page 15 of the report, the new unit costs are calculated in FSSDeliveryModel19.New.xlsx, although note that the "New" file was revised on April 14, 2020:

> Table 7 presents the reduction, produced by updating the variabilities, in the gap between the unit city carrier costs for FSS flats and the same cost for cased flats.[10] [Footnote from original displayed below as a footnote in this document.]

Note that the slightly revised new unit costs submitted on April 14, 2020 are calculated in the workbook entitled FSSDeliveryModel19.New.xlsx, using the revised version of that file submitted on that date. The relevant tab for both workbooks is entitled Summary. Because 64 separate cell references were requested, the most efficient way to present them is to repeat Table 7 with the relevant cell references in place of the numbers. That is done below.

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[10] These unit costs are also calculated in FSSDeliveryModel19.New.xlsx.

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Table 7
Carrier Unit Flats Costs

Based on CCSTS Volumes

Destinating FSS Zones

Class, Shape, or Rate Category	City In-Office	City Street	City Total	City Plus Rural
Periodicals Flats	K12	L12	M12	O12
Bound Printed Matter Flats	K13	L13	M13	O13
USPS Marketing Mail Flats	K14	L14	M14	O14
Carrier Route Flats	K15	L15	M15	O15

Destinating Non-FSS Zones

Class, Shape, or Rate Category	City In-Office	City Street	City Total	City Plus Rural
Periodicals Flats	K20	L20	M20	O20
Bound Printed Matter Flats	K21	L21	M21	O21
USPS Marketing Mail Flats	K22	L22	M22	O22
Carrier Route Flats	K23	L23	M23	O23

Based on FY 2019 Volumes

Destinating FSS Zones

Class, Shape, or Rate Category	City In-Office	City Street	City Total	City Plus Rural
Periodicals Flats	K12	L12	M12	O12
Bound Printed Matter Flats	K13	L13	M13	O13
USPS Marketing Mail Flats	K14	L14	M14	O14
Carrier Route Flats	K15	L15	M15	O15

Destinating Non-FSS Zones

Class, Shape, or Rate Category	City In-Office	City Street	City Total	City Plus Rural
Periodicals Flats	K20	L20	M20	O20
Bound Printed Matter Flats	K21	L21	M21	O21
USPS Marketing Mail Flats	K22	L22	M22	O22
Carrier Route Flats	K23	L23	M23	O23

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Table 8:

As noted on page 16 of the report, Table 8 presents the established and new city carrier unit costs including indirect costs, and these costs are included in Calculate Unit Carrier Cost with New Variabilities.xlsx. Although the footnote on page 16 indicates that Excel file can be found in USPS-RM2020-7-1, it rather was submitted as part of USPS-RM2020-7-NP1.

The relevant tab in in the Calculate Unit Carrier Cost with New Variabilities.xlsx workbook is entitled Per Piece. Again, because so many individual cell references were requested, the most efficient way to present them is to repeat Table 8 with the relevant cell references in place of the numbers. That is done below.

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Table 8

City Carrier Unit Costs Including Indirect Costs

Product	CCSTS Volumes	FY 2019 Volumes	DIFFERENCE
First-Class Mail			
Single-Piece Letters	O10	P10	Q10
Single-Piece Cards	O11	P11	Q11
Presort Letters	O12	P12	Q12
Presort Cards	O13	P13	Q13
Single-Piece Flats	O14	P14	Q14
Presort Flats	O15	P15	Q15
USPS Marketing Mail			
High Density and Saturation Letters	O18	P18	Q18
High Density and Saturation Flats/Parcels	O19	P19	Q19
Every Door Direct Mail-Retail	O20	P20	Q20
Carrier Route	O21	P21	Q21
Letters	O22	P22	Q22
Flats	O23	P23	Q23
Parcels	O24	P24	Q24
Periodicals	O29	P29	Q29
Package Services			
Bound Printed Matter Flats	O31	P31	Q31
Bound Printed Matter Parcels	O32	P32	Q32
Media/Library Mail	O33	P33	Q33
US Postal Service	O35	P35	Q35
Free Mail	O36	P36	Q36
Total Domestic Competitive Mail and Services	O59	P59	Q59
Total International Mail And Services	O60	P60	Q60

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3. Please provide the links, if any, between relevant cells in the Updated FSS Delivery Cost Model and the Excel file "Calculate Unit Carrier Cost with New Variabilities.xlsx", which is provided in Library Reference USPS-RM2020-7-NP1, April 7, 2020, subfolders Prop.2.Carrier.Update.NP1.Files and Non-Public Impact Analysis.

RESPONSE:

There are no direct link inputs from the file "Calculated Unit Carrier Cost with New Variabilities.xlsx" to the Updated FSS Delivery Cost Model, because no data flow between those two models. Both models use inputs from the CS06&7 public or non-public files, but they calculate two different things. "Calculated Unit Carrier Cost with New Variabilities.xlsx" was provided to illustrate the expected impact from Proposal Two on unit city carrier costs at the product level. The product costs provided in "Calculated Unit…" are based upon the CS06&7 public and nonpublic files, which provide the data inputs sources used in the Updated FSS Delivery Cost Model. This latter model illustrates the impact of Proposal Two on the difference in delivery costs for FSS and non-FSS flats. Consequently, it is the CS06&7 files which are already directly linked for the needed calculations, analysis, and disaggregation in the Updated FSS Delivery Cost Model.